

Peter indicated that I served in Congress 11 years now working for the state and for Oregon's first Congressional district.

I think in eleven years of Congress those years do a lot to a person. The first thing I can say is they make you alot more reflective than when you first arrived. Second, after a period of that time you find you have a lot less of an appetite for partisanship and you find yourself a lot more interested in finding answers to problems that have been evading both the country and the state for too long.

And that really describes my generation of Congress on both sides of the aisle and I fully put myself in that category. In coming out to Oregon last Saturday and thinking about the hectic closing of the Congress prior to its August recess, I was reflecting on both the progress and productivity of Oregon's delegation in building the stepping stones for the future economic expansion as well as the productivity of Congress dealing with some of the national issues which face America itself. I'd like to talk about each of those just briefly and allow as much time for questions and answers as we can.

In looking at Oregon, I think I can report to you that over the last several months--over the first six months of this Congress--and over the last few months of the previous Congress the Oregon delegation has been incredibly productive in putting in place those building steps.

In describing that progress I'd like you to envision the strategic view of Oregon's economy and its future growth as I see it. I see a foundation for Oregon based on, as it has been in the past, on a natural resources base. We hear alot of talk about high technology and trade and alot of other industrial sectors - the service economy and the rest - and this is not to say that any of those are insignificant, but it is to say that Oregon, with its incredible natural resources, forgets that it has those resources, forgets its base, then the expansion that we get in these other sectors will end up being expansion or building blocks placed on top of a foundation that really is made of sand because natural resources and the wise management of those resources really does represent our foundation.

We first must stabilize that foundation and then move to bring in place and put on top of that foundation building blocks that can lead us to a prosperous future in the challenging years to come. And when I say the years to come, I am not looking at the next two years, I am looking over a course of decades to come.

I think that that foundation really is natural resources, it certainly entails timber. Not nearly enough Oregonians think in terms of the wise management of timber, what should be set aside for preservation for tourism and the like and what part of it should be used for multiple use in commercial development.

But on top of that foundation, if I were to name two major building blocks that I see Oregon having as opportunities to put on top of that foundation, I would name trade and high technology. And if you envision this as the agenda for the future and what our delegation has done over the last several months, I think I can report to you some significant progress.

Lets look at the field of trade just for example. In the last couple of days before Congress recessed we finally were able to authorize, largely through the work of Mark Hatfield and myself and other members of the delegation, a replacement for the Bonneville lock on the Columbia river. Without that lock replaced, we will have - for as long as we can see - an antiquated bottleneck on the Columbia river which represents a serious delay in moving barge traffic from upriver places, down through the port of Portland and then to overseas markets which really impedes our ability to expand in international trade.

We have been waiting for 15 or more years for the replacement of this lock. Finally, in the last days of the session we not only authorized, but provided funding for a replacement for the Bonneville lock.

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If you were to go out to the Bonneville lock today and look at the problem for which we now have a solution you would see the problem in graphic form. You can stand there and look for river mile after river mile at barges filled with products line up single file waiting to get through that lock. Every day, every hour of delay means additional cost, which of course, raises the price of the products which go through the lock, ultimately through the port and it makes the Port of Portland that much less competitive on the west coast for the west coast competition.

Another solid achievement in the field of trade is using this strategic thing called the Columbia, not only for a recreational sites, but also for commercial applications in commerce. With the approval of the Congress, from the work of Senator Hatfield and myself, of a single retention dam at Mt. St Helens we can prevent the debris from that volcano which could spill down the Cowitz and Toutle river at any point and plug up once again the Columbia river shipping channel. That retention dam was approved in the final days before Congress broke for this recess.

Trade is one of the building blocks and I think those are two significant items that the delegation can report to you as being part of this success.

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Lets turn to some of the foundation items in our economy. I mentioned timber and I want to come to that in a minute. But one of the other things that has been a chronic problem has been something that is not altogether well known in the state of Oregon. That is the status of our shipyards on the waterfronts.

We've seen publicity about disputes with the Navy and the delegation, the inattention that the Navy has given to the industrial infrastructure that those shipyards represent. As a member of the defense committee I want to tell you that as we move toward, as a nation, a six hundred ship navy, it is not going to be possible for those ports that have home-ported facilities where ships have actually been assigned to do all the work that the Navy is going to require to keep that fleet afloat. They're going to have to turn to ports like Portland and they have been neglecting us. There was an announcement in the last few weeks that a destroyer is coming to Portland for a major overhaul which represents a years work and over 400 jobs. I don't know what that means in terms of a multiplier effect in the local economy, but it means a great deal as a product of a long period of patient work with the members of the delegation trying not to hang John Lehman, the Navy secretary, in effigy, but the work instead to encourage them to see that unless we preserve this infrastructure up and down the West Coast we will not have the infrastructure that we need or that the Navy needs in order to meet its needs in the future. And so that's an achievement.

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The U.S. Coast Guard has just home-ported an ice breaker here in Portland which means maintenance work for our shipyards will be done here in the Portland shipyards. And in Astoria -a city I don't know how many of you visit it or how often you visit Astori - but this is a city which has been chronically depressed from well before I went to Congress. It has looked in vain for any kind of economic diversity and economic growth. The recent announcement of the Navy that two brand new minesweepers will be homeported there represents a level of shipyard work and work for all of the state that again is a significant incremental gain in that basic part of our foundation in our traditional industries.

Let me move to timber which does go to the real heart of the foundation of our economy. Within the last year an enormous number of things have taken place to strengthen and stabilize this foundation. It must be stabilized if we are going to try to diversify.

Think through what the following things have been achieved. A year ago, maybe a year and a half ago, there was a court injunction on all of the three million remaining wilderness areas in the U.S. National forests in Oregon. That meant that all of those timber lands that had no logging roads in them were banned from any kind of development whatsoever, even if the highest and best use of the land was management or if the highest and best use of the land was wilderness. All three million remaining acres were tied up in a potential injunction.

Working with Senator Hatfield and other members of the delegation, we wrote a bill that releases two million acres for commercial use and multiple use in those forest lands, those wilderness areas and save one million acres to add to the wilderness system which I think will help improve the overall Oregon's tourism picture. A two for one split for commercial use over recreation use, but even the recreation use has a commercial application. That was one thing.

The second thing in the area of timber, that foundation part of our economy was timber contract relief. If I had addressed this group one year ago or two years ago and told you it would be possible to pass a timber contract relief bill in the U.S. Congress you would have had every right to absolutely laugh me off this stage because it had the opposition of the Southern timber manufactures who saw an advantage in driving northwest timber producers in to bankruptcy. It had the opposition of people like Howard Metzenbaum of Ohio who simply saw this as another lollipop to industry, a giveaway, a sweetheart deal which makes no sense to the American taxpayers and yet I think most of you know as the delegation knew that if you force timber operators to perform on contracts entered into in a time of high inflation where they can't possibly turn a profit you are going to drive them into extinction and the consequence of that would be to absolutely destroy a major part of the industrial infrastructure that is at the foundation of Oregon's economy and future economic growth.

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I can remember pounding out the compromise which ended up passing the Congress on timber sales relief. We did pass it in the closing days of the last session. Mark Hatfield invited me and Howard Metzenbaum to his office on Capitol Hill and the three of us met by ourselves with staff coming in occasionally and for three hours pounded out the terms of the bill that ultimately passed the Congress.

We have lost some mills even after the passage of that bill, but without the passage, I can tell you that the picture for our timber producers would be incredibly worse than it is today and a number of them that are thriving and have a future would have no future at all.

Let me quickly turn to that second major building block that I talked about on top of that foundation that I described. That's high technology. Every state in the nation, I suppose, thinks that high technology is going to be its gravy train to the future. I don't see how we can have 50 meccas for high technology, each state being the center of high technology and the high technological growth. Its not possible.

But I think if Oregon is shrewd and if the delegation supports policy that puts a premium on high technology-intensive industries, we will get our share and we will get that building block that I was referring to a few minutes ago.

We have already made some. The Export Administration Act was passed in this session of Congress. It streamlines the export licensing procedures that high tech exporters have had to go through.

Let me tell you what the problem was. You talk to Norm Winningsted or Tom Bruggere or Earl Wantland, leaders in the high tech field. They will tell you that sometimes they had to wait for up to four, five or six months after landing a prospective sale abroad for their goods before getting a license from the Department of Commerce to proceed on that contract. Four, five or six months. And what happens in that period of time of course is that we have international competition by the French or the Japanese or other European Common Market countries move in during that period of delay and steal that sale away from American high tech producers.

The EAA simplifies the licensing procedure, cuts way back on the paper work thats required, gives blanket exemptions in the cases of National security for allied countries as it should, and its one of the most significant steps forward for high technology that high tech has seen in years. These are some of the steps necessary to improve the picture for high technology and these are some of the steps in the field of trade and in our basic industry that I think represent stepping stones and building blocks toward Oregon's future economic growth.

I think all of that is on the plus side, but let me briefly talk to you about the last six months before the recess of this Congress that has to go on the minus side.

I'm referring of course to the deficit picture and I want to tell you precisely where I am coming from and have been coming from on that front. I support an across the board budget freeze in this session. When you have \$200 billion dollar deficits annually stretching out as far into the future as you can see you don't just have a trail of red ink in triple digit figures. You have something else. You have a program of disinvestment in America's future economic growth.

That kind of deficit picture means the government will be sponging up to 70 percent if not more of the total capital pool of this country. That leaves 30% or less for investment in new technologies, research development, plant expansion, the kinds of things and Oregon needs more than ever before to compete with the rising competition an increasingly international marketplace.

I had high hopes the few hours before Congress recessed that there would be a bipartisan compromise in the Congress which enable the Congress and the administration to come to the American people and say "we had an \$80 billion dollar deficit reduction for this year alone and a \$300 billion dollar plus deficit reduction over the next three years". That would have been possible because the Senate passed a \$56 billion dollar deficit reduction and the House passed a \$56 billion dollar deficit reduction. Both of them put it together differently and therein lies the argument.

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As they were negotiating there came a point in the final days of the Congress where the Senate leadership offered a new idea. And that idea was to take the \$56 billion dollars in savings already agreed to in the aggregate and add to that \$30 billion dollars from an oil import fee seizing on the opportunity which presents itself through a soft international oil market and holding tight on entitlements by delaying the COLAs so that you would have it every two years rather than every year.

That package would have produced an additional \$45 billion in deficit reduction. You take \$45 billion dollars there, add it to the \$56 billion dollars already approved in either the House or Senate version -- and even in Washington terms you are talking about real money -- and I believe that if that would have passed you would have seen the most incredible response in the credit markets of this land. When the Senate passed its \$56 billion dollar deficit reduction you'll remember the stock market cracked 1300 for the first time. The credit markets responded very favorably. Unfortunately, two things happened. First an error of judgment, secondly, an act of political joy----although it didn't create much economic joy. The mistake made was that the President said even an oil import fee represents a new tax, represents the kind of tax that falls in the same category as sharply accelerating personal income taxes, which the Country clearly has repudiated, and no one is advocating in the Congress today on either side of the aisle. I think that was a mistake because it ignores the opportunity we had to dedicate those 30 billion dollars in deficit reduction on top of spending debts to serious reduction of the deficit.

Then another mistake was made and that was on the part of Tip O'Neil. Mind you neither of these men have to run for political office again. And why it is that the two of them made their own version of mistake is beyond me. But O'Neil said when Reagan shot down the oil import idea and the entitlement change, O'Neil stepped back and said, "This is not my fight. What we have here is a fight between the Republicans in the Senate and the Republicans in the White House and they'll have to settle their differences and when they settle those differences then we'll try to be as helpful as we can."

I'm sure Tip O'Neil was smarting over 5 yrs of being kicked around and he has been kicked around pretty severely, but this is a moment, with a 200 billion dollar annual disinvestment program staring us in the face each year, when the scars or the sensitivity or the personal feelings of a political leader of the opposition party should be laid aside. And this is a moment I would say to you, though I understand and know, that many of year are members of the President's own party that the President has made a mistake. The oil surcharge fee would have been, if coupled with these spending reductions a package of deficit reduction that I think would have set a glidepath toward a balance between receipts and expenditures that would have been absolutely wholesome and vigorous for the American economy. We now are left with about a \$40 billion dollar deficit reduction in terms of the ceiling set by the budget resolution. That's not nearly good enough. Our best hope for improving on that now shifts to the appropriations committees and I serve on one of them - the House Appropriations committee.

The way we can improve upon it is to come in with our own bills and these are the only bills that actually spend the money - come in under, as much as possible, the ceiling set by the budget resolution.

As a member of the Appropriations committee, coming from an interest rate sensitive state such as ours, I want to tell you that what I'll be doing come September and from there till the adjournment is to try and work to bring those under the ceiling set by the budget. If we can come under just by \$10 billion dollars we at least could bring the deficit package back to the \$50 billion dollar level that gave the stock market and the credit market such a good signal only a few months ago. And then that in turn would set the stage for another go around on the budget resolution come the next session of this congress where I think it may just finally be possible to get conservatives who have been holding out and saying balance the budget but don't touch the military and don't touch any form of revenue and liberals who say balance the budget but don't touch entitlement programs finally together in adequate numbers to pass a single package, something that tags each of these bases, and produces genuine deficit reduction for the country as a whole.

I mentioned disinvestment. I think of what Japan is doing to our semiconductor industry, whats already happened with automobiles, we cannot afford a program of disinvestment. My children, your children and theirs will be penalized by our inaction if we allow this period of disinvestment to go forward.

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If I have to vote against every appropriations bill that comes out of my own committee in order to get the point across I will do so. I am particularly concerned about what that disinvestment may mean to what someone called - and that was Ezra Vogle in his book called Comeback - which talks about the comeback of American industry and what the recipe for it is.

What he calls is the new engine that will drive America's future economic growth. And he said something that I'll end with which I think says it all because all of it requires investment, mental investment, strategic thought and some capital investment as well.

He said, "Computers, communication satellites, new materials, biotechnology, these are the fields that may lack the tangibility of railways and roads which played such a large role in the past, but they will play the same role in America's future economic growth as engines of incremental increases in our rate of growth that the railroads did in bygone years." And I think he's absolutely accurate and to that end I commend to you for your attention and hopefully your support, the research and development tax bill that I have introduced which allows corporations to write off the salaries of mathematicians, physicists, scientists that they lend to institutions of learning. I think that that would do more to encourage and strengthen instruction going on in our schools so we can produce the minds that can in turn develop these technologies than anything else I can think of and it would do so without returning to something that I think America is not ready to do and that's a 1960's version of a new binge of social spending.

Instead of a program, its an incentive, an incentive to link business and classroom and classroom instruction together to build for America's future.

I think we should do that and it reminds me in terms of the task ahead of the words of Daniel Webster, who in his time, saw a similar challenge, although the complexities were not nearly as great then as they are now. But his words are over the wall of speakers podium. I think they capture the spirit of what we should be looking for today as we face this challenge in the future and stabilizing basic industry and expanding into bold new ventures. His words are these: "let us develop the resources of our land, call forth its powers, build up its institutions and see whether we also in our day and in our time and in our generation may not perform something worthy to be remembered.

I think the outline that I have given you is something of a road map and is one I intend to follow as I represent you in the Congress and I thank you for the chance to be with you today. Thank you.